HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Sudbury CMA

Canada Mortgage and Housing Corporation

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New Home Market

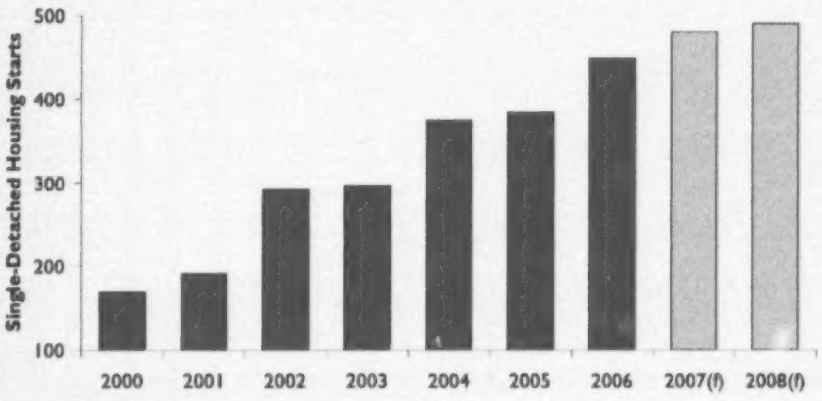
Sudbury Starts Continue Strong

The new housing market in the City of Greater Sudbury continues to grow. Total starts are up 21 per cent after three quarters in 2007 which means another rise in annual housing starts is virtually guaranteed for this year. CMHC is forecasting 480 single-detached starts and 30 multi-family starts for a total of 510 Greater Sudbury starts in 2007. Starts will reach 610 units in 2008 comprised of 490 single-detached homes and 120 multi-family units.

Strengthening in-migration attracted by widespread employment growth has been most instrumental in driving up demand for home ownership up. Spillover demand from Greater

Figure 1

Sudbury Single-Detached Home Starts Continue Rising



Source: CMHC forecasts

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Sudbury's hot resale housing market is another factor. The resale market currently strongly favours sellers with strong price increases and few listings to satisfy demand. This is diverting some prospective homebuyers to the new home market.

The rapidly escalating Statistics Canada New House Price Index for Sudbury-Thunder Bay is reflecting strong demand for land and labour. Flat for several years, the index has taken a relatively large four to five per cent jump this year thus far. This is indicative of the strength in the Greater Sudbury market more so than Thunder Bay where the market is much quieter.

Resale Market

Sudbury Resale Market Still Favours Sellers

Relatively low interest rates, strong job growth, escalating rent levels and improving in-migration from other Ontario centres provide a strong foundation for resale housing demand in 2007 and 2008. Expect about 2,900 existing home sales in 2007 in Greater Sudbury, which will be the fourth consecutive annual record. Sales will rise again in 2008 to hit 2,975 sales.

Sellers' market conditions persist in Greater Sudbury despite a slightly softer third quarter. Third quarter sales fell to 760 units, five per cent below last year's figure. New listings were essentially flat. Sudbury's sales-to-new-listings ratio is still among the highest in the province.

Tight resale home market conditions pushed up prices 21.9 per cent year-over-year in the third quarter bringing the overall price increase to 22.6 per cent. Prices will close the year up nearly twenty per cent in 2007. The sales to new listings ratio should moderate implying price increases will slow, growing by ten per cent in 2008.

Neighbourhood submarket analysis is showing widespread market strength in Greater Sudbury. Most notably, sales gains have been observed thus far in 2007 in Nickel Centre, Garson, Flour Mill-Donovan, and Onaping Falls. These areas, typically thought of as being popular among first-time homebuyers and low-end move-up buyers are all experiencing strong price growth as well.

Employment

Sudbury Labour Market Improves Dramatically

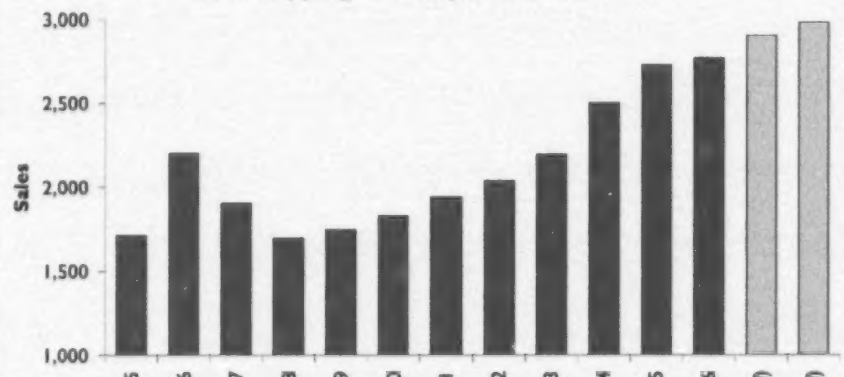
Employment growth in Greater Sudbury has exceeded expectations thus far in 2007. The robust mining and mining supply sector is the key to this employment strength. Look for gains of 3,000 jobs in 2007 and another 2,500 in 2008 providing the basis for a bright near term for housing indicators. CVRD-Inco plans to hire 500 people in the next year and a half at their mining operations in Sudbury.

Employment has been strengthening in Sudbury since the middle of 2006 with quarterly average employment numbers well ahead of year-earlier levels. On average 77,800 people were working in Sudbury in 2006, while in the first nine months of 2007, there were 80,600 employed persons, over 3,000 more than in the first nine months of 2006.

The run-up in job numbers since the late 1990s in Greater Sudbury explains some of the strength exhibited in the housing market since then. As the population ages, the 45-64 age group of employees is growing.

Figure 2

No Stopping Sudbury Resale Market



Source: CREA, CMHC forecasts

Figure 3

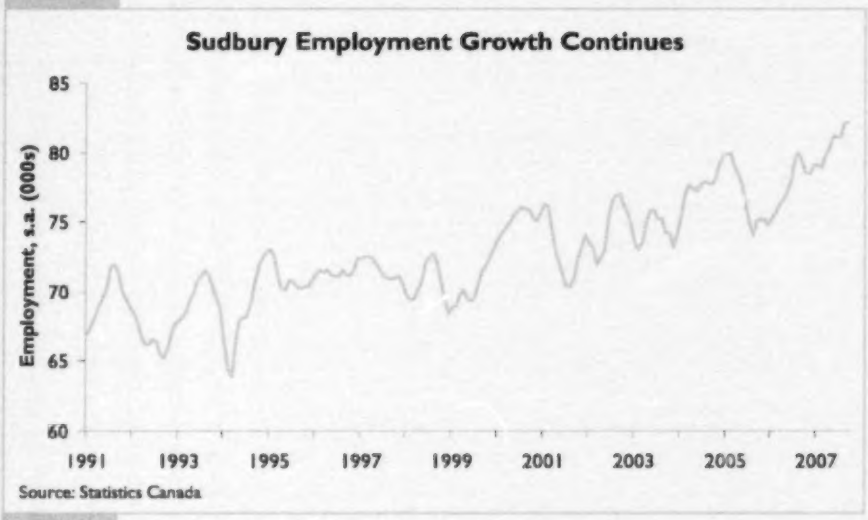


Figure 4

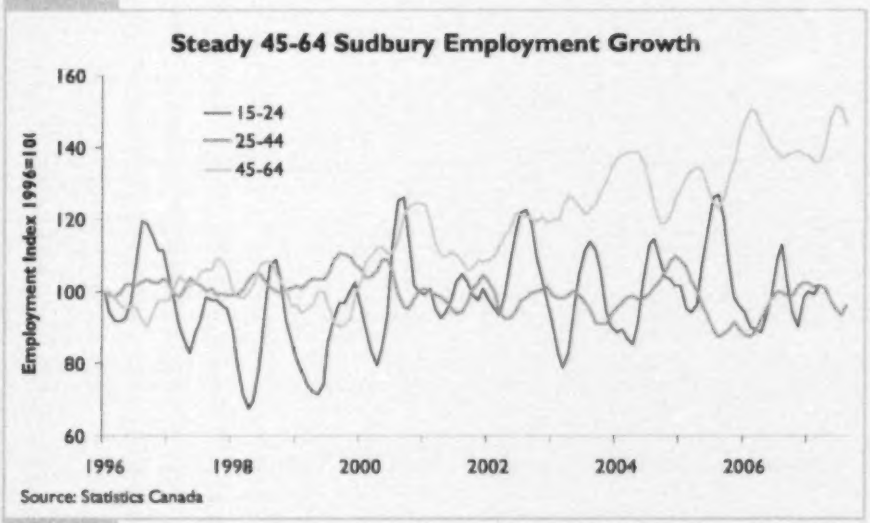
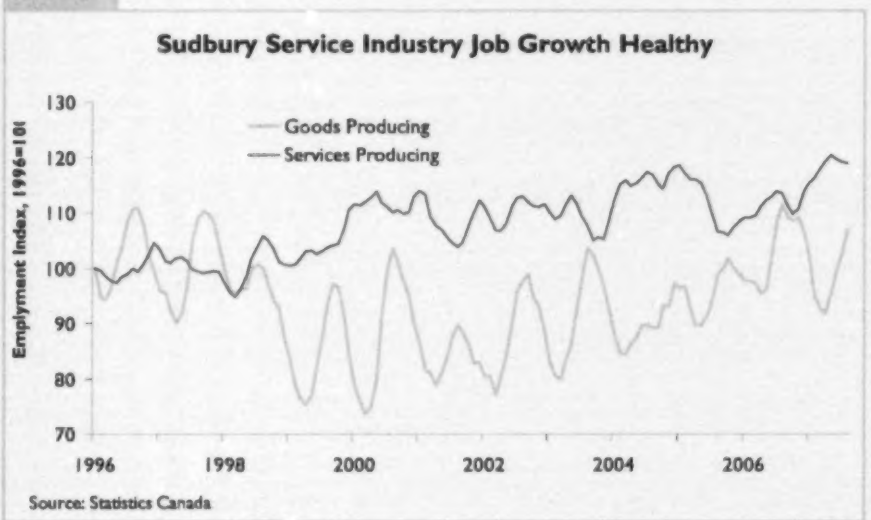


Figure 5



Employment for youths aged 15-24 is also growing. Employment levels in the 25-44 age range are about on par with 1996 whereas elsewhere in Northern Ontario employment tends to be lower and in some cases much lower than in 1996. The goods-producing sector has also shown increases in the last few years, although employment levels in this sector are only marginally above where they were in 1996.

Despite nickel prices softening since the first quarter, they are still on pace to finish 2007 nearly twice as high as their levels in 2006, which were themselves, very healthy. Consequently, Sudbury's two nickel producers, CVRD-Inco and Xstrata are in very profitable positions, and this has translated into higher wages and bonuses for employees. Global demand for stainless steel is at the root of nickel's price strength and so with continued good demand for steel products forecast, nickel prices should remain healthy looking ahead to 2008.

Other notable developments in the Greater Sudbury economy include the Regional Hospital construction, Laurentian University's Centre for Excellence in Mining Innovation and work on the final phase of development at Dynamic Earth, a local tourism attraction.

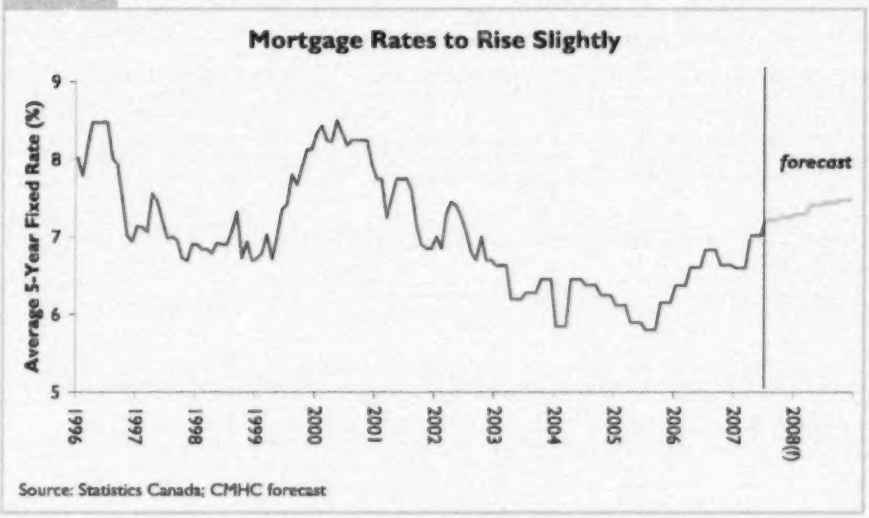
Migration

Positive In-Migration to Sudbury for Four Years Running

For the fourth consecutive year, net migration figures released by Statistics Canada in September 2007, showed an inflow to Greater Sudbury.

Sudbury's population grew by nearly 3,000 or 1.7 per cent between 2001 and 2006. Migration flows have been reversed. About 2900 people left Sudbury in 1998-99, but 519 arrived between 2004-05 and nearly 2,000 over the last four years, the majority coming from elsewhere in Northern Ontario. This reversal in fortunes was confirmed by the higher population numbers counted during the 2006 Census and ultimately has given people in the community optimism for the future.

Figure 6



Source: Statistics Canada; CMHC forecast

Mortgage Interest Rates

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Forecast Summary
Greater Sudbury CMA
Fall 2007

	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	2,500	2,726	2,762	2,900	5.0	2,975	2.6
MLS® New Listings	3,906	4,074	3,989	3,790	-5.0	3,827	1.0
MLS® Average Price ($)	122,866	133,937	150,434	179,769	19.5	197,764	10.0
New Home Market							
Starts:							
Single-Detached	374	384	448	480	7.1	490	2.1
Multiples	14	16	29	30	3.4	150 **	
Semi-Detached	10	12	18	30	66.7	20	-33.3
Row/Townhouse	4	4	11	0	n/a	0	n/a
Apartments	0	0	0	0	n/a	130	250.0
Starts - Total	388	400	477	510	6.9	640	25.5
Average Price ($):							
Single-Detached	208,283	236,530	266,695		n/a		n/a
Median Price ($):							
Single-Detached	189,000	225,000	269,000		n/a		n/a
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	1.9	1.7	1.7	4.0	-	4.5	-
Rental Market							
October Vacancy Rate (%)	2.6	1.6	1.2	0.8	-0.4	0.7	-0.1
Two-bedroom Average Rent (October) ($)	655	668	706	748	6	775	4
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	77,700	76,700	77,800	81,000	4	83,500	3
Employment Growth (%)	5.1	-2.6	2.5		2.5		0.0
Unemployment rate (%)	8.5	7.7	7.3	5.8	-	5.5	-
Net Migration	321	519	836	500	-40.2	500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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